

**ABF Hong Kong Bond Index Fund
Interim Report 2011**



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Investment Adviser's Report

ABF Hong Kong Bond Index Fund

For the six months ended 31 January 2011, the fund delivered a negative return. The re-rating of US growth prospects that occurred in October/November saw a savage sell off in the US and Hong Kong bond yields accounted for almost all of the negative return. The small deviation from benchmark performance could mainly be attributed to transaction costs. The fund's investment holdings continued to compose of high-quality issuers, such as the Hong Kong SAR Government, quasi-government entities in Hong Kong as well as multilateral international agency entities. This reflected the characteristics of the fund of being a conservative investment which aims to achieve investment return and distribute potential income on a semi-annual basis. Interest rates fell considerably from June on concerns that the US economy was not gaining any traction. However some positive data surprises later in the year together with the passage of the tax-cut bill, led the market to believe that the policy responses put in place were in fact working and bonds were sold into the recovery story. Yields are now at early 2010 levels.

Statement of Assets and Liabilities

ABF Hong Kong Bond Index Fund

	31 January 2011 HKD	31 July 2010 HKD
ASSETS		
Investments	2,516,376,180	2,339,895,514
Accounts receivable	65,595,541	58,590,156
Cash at banks	2,334,283	3,704,543
Total assets	2,584,306,004	2,402,190,213
LIABILITIES		
Accounts payable	13,948,774	8,018,846
Distribution payable	37,542,042	39,008,202
Total liabilities	51,490,816	47,027,048
TOTAL NET ASSETS	2,532,815,188	2,355,163,165
EQUITY		
Capital attributable to unitholders	2,532,815,188	2,355,163,165
TOTAL EQUITY	2,532,815,188	2,355,163,165
Number of units outstanding	25,196,001	22,946,001
Net asset value per unit	100.52	102.64

Portfolio Statement

ABF Hong Kong Bond Index Fund

as at 31 January 2011

	Holdings	Market value HKD	% of net asset value		Holdings	Market value HKD	% of net asset value
Debt Securities				HONG KONG (GOVT OF)			
				0.48% 3SEP2012	80,000,000	80,008,000	3.16
EUROFIMA 4.18% EMTN				HONG KONG (GOVT OF)			
8JUN2015	46,000,000	50,402,973	1.99	0.7% 5MAR2012	144,000,000	144,600,005	5.71
HK GOVERNMENT				HONG KONG (GOVT OF)			
4.49% 26NOV2012 7211	61,000,000	65,404,651	2.58	05Y1312 1.67% 19DEC2013	42,000,000	42,864,772	1.69
HK GOVERNMENT BOND				HONG KONG (GOVT OF)			
1412 3.51% 8DEC2014	37,000,000	39,996,889	1.58	1.43% 2DEC2015	50,000,000	49,353,335	1.95
HK GOVERNMENT BOND				HONG KONG (GOVT OF)			
2.39% 20AUG2025	18,500,000	17,199,450	0.68	1.61% 10DEC2018	42,000,000	39,520,278	1.56
HK GOVERNMENT BOND				HONG KONG (GOVT OF)			
3.56% 25JUN2018	38,000,000	41,071,916	1.62	1.65% 15JUN2015	50,000,000	50,275,905	1.98
HK GOVERNMENT BOND				HONG KONG (GOVT OF)			
3.78% 6DEC2012 1612	22,000,000	24,213,202	0.96	1.73% 20FEB2024	25,000,000	21,803,750	0.86
HK GOVERNMENT BOND				HONG KONG (GOVT OF)			
4.13% 22FEB2013 7302	41,500,000	44,497,441	1.76	2.03% 18MAR2013	149,500,000	153,925,200	6.08
HK GOVERNMENT BOND				HONG KONG (GOVT OF)			
4.33% 7DEC2015 1512	12,000,000	13,471,709	0.53	2.07% 3NOV2014	74,500,000	76,686,575	3.03
HK GOVERNMENT BOND				HONG KONG (GOVT OF)			
4.53% 18JUN2012	111,000,000	117,323,304	4.63	2.16% 9DEC2019	45,000,000	43,440,305	1.71
HK GOVERNMENT BOND				HONG KONG (GOVT OF)			
4.83% 7JUN2016 1606	15,500,000	17,868,543	0.71	2.53% 22JUN2020	80,000,000	78,964,096	3.12
HK GOVERNMENT BOND				HONG KONG (GOVT OF)			
7202 3.14% 24FEB2012	62,550,000	64,434,319	2.54	2.64% 10JUN2019	20,000,000	20,196,000	0.80
HK GOVERNMENT BOND				HONG KONG (GOVT OF)			
7205 3.61% 28MAY2012	1,850,000	1,929,071	0.08	2.71% 20FEB2023	23,000,000	22,615,840	0.89
HK GOVERNMENT EX FD				HONG KONG (GOVT OF)			
NT 1206 5.8% 19JUN12	92,800,000	99,723,112	3.94	2.93% 13JAN2020	116,500,000	118,903,779	4.69
HK GOVERNMENT EX FD				HONG KONG (GOVT OF)			
NT 1212 4.5% 4DEC12	65,800,000	70,610,118	2.79	3.52% 5DEC2017	48,500,000	52,525,500	2.07
HK GOVERNMENT EX FD				HONG KONG (GOVT OF)			
NT 1306 3.73% 5JUN13	55,450,000	59,325,955	2.34	3.83% 22NOV2013	55,000,000	59,440,387	2.35
HK GOVERNMENT EX FD				HONG KONG (GOVT OF)			
NT 1312 4.32% 2DEC13	50,400,000	55,181,408	2.18	4.04% 30MAY2014	52,000,000	56,930,900	2.25
HK GOVERNMENT EX FD				HONG KONG (GOVT OF)			
NT 1406 4.82% 2JUN14	56,500,000	63,306,837	2.50	4.65% 29AUG2022	41,550,000	48,929,280	1.93
HK GOVERNMENT SER				HONG KONG (GOVT OF)			
1506 3.5% 22JUN2015	8,500,000	9,207,754	0.36	4.85% 27JUN2017	43,000,000	50,052,955	1.98
HK GOVERNMENT SER				HONG KONG (GOVT)			
7208 4% 27AUG2012	58,500,000	61,766,195	2.44	05Y1412 1.69% 22DEC2014	71,000,000	71,901,700	2.84
HKSAR GOVERNMENT				INTER-AMERICAN DEV BANK			
5.125% 23JUL2019	12,500,000	14,631,001	0.58	4.2% 24MAR2014	41,000,000	44,561,108	1.76
HONG KONG (GOVT OF)							
0.36% 19NOV2012	75,000,000	74,822,498	2.95				

Portfolio Statement

ABF Hong Kong Bond Index Fund

as at 31 January 2011

	Holdings	Market value HKD	% of net asset value
KOWLOON-CANTON RAILWAY 3.88% 15JUN2021	16,000,000	16,356,800	0.65
KOWLOON-CANTON RAILWAY 4.65% 10JUN2013	10,000,000	10,759,572	0.42
MTR CORP (C.I.) 4.28% 6JUL2020 EMTN	8,000,000	8,633,870	0.34
MTR CORP (C.I.) 4.5% 11MAY2015	33,500,000	36,986,955	1.46
MTR CORP (C.I.) 4.6% 3JUN2013	25,500,000	27,547,742	1.09
MTR CORP (C.I.) 4.75% 11MAY2020	66,000,000	73,766,959	2.91
MTR CORP (C.I.) 4.9% 25JUN2018	7,000,000	7,888,616	0.31
MTR CORP (C.I.) 5.25% 21MAY2013	500,000	547,650	0.02
Total Investments		2,516,376,180	99.35
Other Net Assets		16,439,008	0.65
Total Net Assets		2,532,815,188	100.00
Total Cost of Investment		2,491,397,987	

Statement of Movements in Portfolio Holdings

ABF Hong Kong Bond Index Fund

	% of net asset value 31 January 2011	% of net asset value 31 July 2010
Debt Securities	99.35	99.35
Total Investments	99.35	99.35
Other Net Assets	0.65	0.65
Total Net Assets	100.00	100.00

Performance Record

ABF Hong Kong Bond Index Fund

	Net asset value per unit	
	Lowest HKD	Highest HKD
2009	99.69	108.45
2010	101.39	104.67
1 August 2010 to 31 January 2011	100.39	103.72
	31 January 2011 HKD	31 July 2010 HKD
Total net asset value	2,532,815,188	2,355,163,165
Net asset value per unit	100.52	102.64

In accordance with chapter 8.6(l) of the Code on Unit Trusts and Mutual Funds, the Trust is required to provide a comparison of the Trust performance and the actual index performance over the relevant period.

	6 months ended 31 January 2011	12 months ended 31 July 2010
ABF Hong Kong Bond Index Fund	(0.60)% ^(a)	3.04% ^(a)
iBoxx ABF Hong Kong Index	(0.62)% ^(b)	3.40% ^(b)

(a) The Trust's returns are calculated on NAV-to-NAV basis, dividends reinvested.

(b) The benchmark returns are stated on a total return basis. Unlike the Trust, the benchmark returns do not include the impact of Trust expenses or Trust transaction costs.

Investor should note that investment involves risk and past performance may not be indicative of future performance. Investors should refer to the Trust's prospectus before making any investment decision.

Distribution Disclosure

ABF Hong Kong Bond Index Fund

	Date of Ex-distribution	Date of Payment	Distribution Per Unit HKD	Total Distribution HKD
2011 Interim Distribution	28 January 2011	11 February 2011	1.49	37,542,041
2010 Final Distribution	29 July 2010	9 August 2010	1.70	39,008,202
2010 Interim Distribution	28 January 2010	8 February 2010	1.83	41,991,182

Administration

ABF Hong Kong Bond Index Fund

Manager and Listing Agent

HSBC Investment Funds (Hong Kong) Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

Directors of the Manager

Patrice Pierre Henri Conxicoeur
Ayaz Hatim Ebrahim
Po Yee Lam
Edmund Richard Stokes
Stuart Glenn Berry
(appointed on 1 February 2011)
Edgar Kai Man Ng
(appointed on 10 December 2010)
Stephen Chun Pong Tam
(appointed on 1 December 2010 &
resigned on 10 December 2010)
Kean Kee Lim
(resigned on 1 December 2010)
Rudolf Eduard Walter Apenbrink
(resigned on 1 October 2010)

Members of Supervisory Committee

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